

Financial *Status Report*

September 30, 2018

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through September 30, 2018. It compares revenues and expenditures for the first quarter of Fiscal Year 2018-19 and Fiscal Year 2017-18. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

May 2018



Local Stock Prices



Local Consumer Confidence

Index of Leading Economic Indicators



Building Permits



Unemployment Insurance



Help Wanted Advertising



National Economy

University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County fell 0.2 percent in May. The biggest contributor to the drop was a big decrease in online help wanted advertising. Initial claims for unemployment insurance were also moderately negative while there was a small decline in residential units authorized by building permits. On the positive side, local stock prices were up moderately, but consumer confidence and the outlook for the national economy were up only slightly. Although the number of components up and those down were even at three apiece, the negatives outweighed the positives to push the USD Index to its second straight loss.

As was mentioned in last month's report, economists usually look for three moves in the same direction for a leading index to indicate a turning point in the economy. This hasn't happened yet, so the outlook for the local economy remains positive for now. But any number of things could adversely affect San Diego's economy, including rising gas prices, rising interest rates, high housing prices making it difficult for companies to attract and retain workers, a trade war leading to barriers against San Diego companies, local government budget problems, increased taxes on some San Diegans due to the 2017 tax reforms, and turmoil in the health care markets as elements of the Affordable Care Act are eliminated. Each of these will have a negative impact on the local economy; whether collectively they are enough to derail the strong growth that has been experienced remains to be seen.

Residential units authorized by building permits dropped for the third month in a row, although May's decrease was the smallest of the three. The number of residential units authorized was actually the best of the year, but after the seasonal adjustment and the smoothing with a moving average, the trend remains negative. Both labor market variables were down during the month. Initial claims for unemployment insurance rose for the first time in nine months, which is a negative for the Index. This happened even though May is the third best month of the year for initial claims. On the hiring front, help wanted advertising fell for a second consecutive month. The negative news has not been reflected in the local seasonally adjusted unemployment rate, which was 3.1 percent in May. That is the same as the rate in April and down from 3.7 percent in May 2017. As was the case in April, the actual unemployment rate was below 3.0 percent at 2.9 percent, but since May is the second-best month of the year for the unemployment rate (first is December), the seasonal adjustment pushed the rate to 3.1 percent. Local stock prices continued their roller coaster ride, rising in May after having fallen in February, risen in March, and fallen in April. Consumer confidence continues to chug along, rising for the 23rd month in a row. For the second straight month, the national Index of Leading Economic Indicators diverged from the local one. It has now increased or been unchanged for 21 consecutive months. The national labor market continues in full employment territory, with the unemployment rate at 3.8 percent and 223,000 jobs created in May. GDP growth continues to be sluggish, with the third and final estimate of growth for the first quarter coming in at 2.0 percent, which was down from the "advance" and second estimates of 2.3 percent and 2.2 percent respectively, and from 2.9 percent in the fourth quarter of 2017.¹

General Fund Revenues



Property Taxes (\$2.0 million) – The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.38 percent for Fiscal Year 2018-19. This is the sixth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down in May*, June 28, 2018.

continued improvement in the housing market and new construction. The increase in this year's assessed values was due to a large increase in the assessed values of residential properties in the city; the city saw smaller increases in commercial and industrial property values for the year. This is the fourth year in a row since the Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reason that property taxes for the first three months of the new fiscal year have decreased by 13 percent as compared to the prior fiscal year are:

- Current taxes are down by \$6,000 or 0.6 percent due to timing differences.
- Aircraft taxes are down by \$191,000 or 18.2 percent partially due to timing differences.
- Payments for previous year's taxes are down by \$47,000.
- Supplemental taxes are down by \$41,000 due to a decrease in property resales.



Sales Taxes (\$8.4 million) – For the first three months of the new fiscal year, sales tax revenues are \$693,000 (or 8 percent) lower than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second calendar quarter of 2018 as well as the first advance of the city's third calendar quarter of 2018 sales tax revenues. The state recently implemented a new sales tax reporting system which has delayed the receipt of sales tax revenues for the second calendar quarters of 2018. The state hopes to have these retroactive payments made within the next couple of months.

For sales occurring in the first calendar quarter of 2018 (the most recent data available), key gains were seen in restaurants, furniture/appliance stores, apparel stores, and service stations. During the same period, key declines were seen in auto sales – new, chemical products, food markets and electronic equipment. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 78 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$9.4 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$25.4 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first three months of the new fiscal year reflects an increase of \$1.5 million, 19 percent more than the previous year.

Higher room rates and occupancy accounted for a portion of the positive variance. In addition, LEGOLAND opened a second hotel consisting of 250 rooms which was fully opened in May 2018 and the Westin Hotel opened in early August 2018 with a net total of 141 rooms. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of August 2018.

Currently, there are 4,764 hotel rooms, 668 timeshares and 256 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 73 percent, two percentage points higher than last year's average at this time.



Income from Investments and Property (\$1.4 million) – For the first three months of the fiscal year, income from investments and property is up \$383,000 compared to the previous fiscal year.

Interest income is up \$209,000 for the year due to the combination of a 5.6 percent increase in the average daily cash balance combined with a 30.5 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.433 percent last fiscal year to 1.8707 percent in the current fiscal year).

Income from property sales and rentals is up by \$174,000 for the year, primarily due an increase in facility and pool lane rentals. Higher facility rentals were derived from new rental sites such as Shorehouse Kitchen, the Westin Hotel, the Pine Avenue Recreation Center, and increased revenues at other city facilities.



Recreation Fees (\$1.4 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are up by 0.3 percent compared to last year at this time.



Development Related Revenues (\$1.3 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a small, but expected decrease for the first three months of the new fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in September included the development of a four-unit multi-family dwelling complex on Jefferson Street, the expansion of the ballroom at the Omni La Costa Resort, and the Grand West condominium project.

One source of development related revenue is building permits, which are down three percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction, a small increase in residential permitting activity, and a large decrease in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$73.8 million, while it was \$127.7 million in the previous fiscal year, a 42.2 percent decrease. In September, Carlsbad issued building permits for 19 residential dwelling units, a decrease from the 85 dwelling units permitted in August. In the northwest quadrant, building permits for 16 residential dwelling units were issued: 15 permits for condominiums on State Street, and one permit for a second-dwelling unit. In the southwest quadrant, one building permit was issued for a single-family detached residence. In the southeast quadrant, building permits for two residential units were issued: one single-family detached home and one second-dwelling unit. For the current fiscal year, 111 residential permits have been issued, as compared to 100 residential permits issued during the same period last year.

During the month of September, permits were issued for 37,327 square feet of commercial space: 10,545 square feet as part of a mixed-use commercial space and 26,782 square feet as part of commercial space, both developments on State Street. Year-to-date, there has been 74,953 square feet of commercial/industrial permits issued compared to 701,340 square feet of commercial/industrial permits issued during the same period last year.



Business License Tax (\$1.2 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.2 million for the current fiscal year. Business license revenues are up \$261,000, or 26 percent, higher than the previous fiscal year. This is primarily due to a significant number of payments being made on delinquent accounts as well as a timing difference on a large business license

renewal.

There are currently 9,705 licensed businesses operating within the city, 1,007 less than the prior year. The majority of taxed businesses (6,495 businesses) are located in Carlsbad, with 2,411 of these businesses home-based.



Interdepartmental Charges (\$1.2 million) – Interdepartmental charges are \$430,000, or 59 percent, higher than last year. These charges are generated through engineering services charged to capital projects (up 26 percent, or \$60,000, due to the filling of staffing vacancies from last fiscal year at this time); reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by

departments within the General Fund (up 74 percent, or \$370,000), the result of charging utility enterprises through miscellaneous interdepartmental charges this year versus a direct reduction in Finance department expenditures.



Franchise Taxes (\$874,000) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.3 million for the current fiscal year. Year-to-date franchise taxes are \$120,000 higher than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are up by \$2,000. An increase in trash collection revenue of \$23,000 is due to more commercial and residential accounts coming online from new development activity within the city. Additionally, a timing difference with the receipt of the first quarterly fiber optic antenna system franchise payment resulted in a \$95,000 increase in revenue from the prior year.

Approximately 44 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2019.



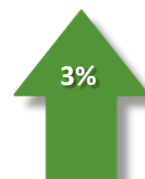
Ambulance Fees (\$542,000) – The city bills any individual who is transported in one of the city's ambulances. Through September 2018, receipts from ambulance fees are down \$79,000, or 13 percent, compared to last fiscal year. Most of the decrease is due to an increase in the number of write-downs due to more Medicare and Medi-Cal transports as compared to private insurance transports. The number of billable transported patients for the first three

months of Fiscal Year 2018-19 (1,218) versus Fiscal Year 2017-18 (1,293) has decreased moderately.



Other Revenue Sources (\$269,000) – Other revenue sources have increased by \$34,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The increase

to date represents a decrease in prior year fee refunds, additional contributions from property owners, and miscellaneous reimbursements received for managing developer deposits.



Other Licenses and Permits (\$247,000) – Other licenses and permits consist of fire protection services, right-of-way, lagoon, grading, hazardous uses, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity



Fines and Forfeitures (\$158,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due to a drop in revenues derived from moving violations and miscellaneous fines.



Transfer Taxes (\$130,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have decreased moderately, however, these revenues only represent one payment received by the city thus far in the fiscal year, and we anticipate these revenues to stabilize throughout the remainder of the year.



Other Charges or Fees (\$118,000) – Other charges or fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. The increase to date reflects an increase in false alarm response charges.



Other Intergovernmental Revenues (\$93,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$93,000 received this year are a UASI Police grant, a Stonegarden Police overtime grant, a Fire Training Reimbursement Program, Peace Officer Standards and Training (POST) reimbursements, an FBI Safe Streets grant, state mandated costs reimbursements, a grant for CERT hats, and senior nutrition grants. The large

decrease for the year represents solar rebates received by the city from the Center for Sustainable Energy last year.

Expenditures

Total General Fund expenditures and encumbrances through the month of September 2018 are \$55.6 million, compared to \$53.9 million at the same time last year. This leaves \$124.3 million, or 69.1 percent, available through the fiscal year ending June 30, 2019. If funds were spent in the same proportion as the previous year, the General Fund would have 70 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at September 30, 2018 is 71.8 percent, moderately lower than the 72.5 percent available at September 30, 2017.

The adopted General Fund budget for Fiscal Year 2018-19 increased by \$10.1 million due to the following factors:

- Increased personnel costs:
 - \$1.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 3.0 full-time staff (which includes a transfer of 5.0 full-time staff to the Information Technology Internal Service Fund, and the addition of a Parks Superintendent, a Facility Specialist for the Safety Training Center, a Traffic Engineer, an increase of four sworn police positions, two Police Rangers, the addition of a Smart City Innovator position, and the elimination of two Park Maintenance Workers), a decrease of 3.0 limited-term positions from Community and Economic Development, and an increase of 3.28 part-time staff
 - \$400,000 in additional retirement costs due to PERS rate increases and higher salaries
 - Increased workers' compensation rates of \$300,000
 - Increased health insurance rates

- Increased maintenance and operations costs (increase of \$6.8 million):
 - General inflationary adjustments of 2.5 percent
 - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
 - General increases in internal service charges
 - A change made in the accounting for billing services provided by the Finance department for the city's Enterprises
 - Increases for tuition reimbursement and citywide training/development, staff development and succession planning consulting services, costs associated with the implementation of the Cultural Arts Master Plan, operating costs associated with new park facilities, a new Pest Management Plan, and additional traffic signal maintenance costs
- Increased capital outlay costs of \$100,000
- Increased transfers out of the General Fund:
 - Increase of \$700,000 in the annual transfer to the Infrastructure Replacement Fund

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of September 30, 2018, \$5,000 has been authorized out of the contingency account as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$1,500,000		
USES:			
Special Events Grant for the National Drive Electric Week	<u>(5,000)</u>	01/23/2018	City Manager
TOTAL USES	<u>(5,000)</u>		
AVAILABLE BALANCE	<u><u>\$1,495,000</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

**GENERAL FUND
REVENUE COMPARISON**

	EXPECTED BUDGET AS OF 09/30/18	ACTUAL FY 2018 AS OF 09/30/17	ACTUAL FY 2019 AS OF 09/30/18	CHANGE FROM YTD 2018 TO YTD 2019	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$2,367,750	\$2,262,536	\$1,977,482	(\$285,054)	-13%
SALES TAX	9,513,502	9,088,277	8,395,702	(692,575)	-8%
TRANSIENT OCCUPANCY TAX	8,302,331	7,906,427	9,408,889	1,502,462	19%
FRANCHISE TAX	696,104	754,040	873,632	119,592	16%
BUSINESS LICENSE TAX	1,025,742	986,804	1,247,321	260,517	26%
TRANSFER TAX	123,336	155,972	129,754	(26,218)	-17%
TOTAL TAXES	22,028,766	21,154,056	22,032,780	878,724	4%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	0	0	0	0	0%
OTHER	138,940	227,378	93,369	(134,009)	-59%
TOTAL INTERGOVERNMENTAL	138,940	227,378	93,369	(134,009)	-59%
LICENSES AND PERMITS					
BUILDING PERMITS	298,067	561,824	543,029	(18,795)	-3%
OTHER LICENSES & PERMITS	195,231	239,929	247,458	7,529	3%
TOTAL LICENSES & PERMITS	493,298	801,753	790,487	(11,266)	-1%
CHARGES FOR SERVICES					
PLANNING FEES	136,450	198,577	235,624	37,047	19%
BUILDING DEPARTMENT FEES	200,802	303,464	355,200	51,736	17%
ENGINEERING FEES	183,369	269,279	141,325	(127,954)	-48%
AMBULANCE FEES	626,745	621,696	542,263	(79,433)	-13%
RECREATION FEES	1,452,321	1,388,498	1,392,218	3,720	0%
OTHER CHARGES OR FEES	43,700	107,756	117,587	9,831	9%
TOTAL CHARGES FOR SERVICES	2,643,388	2,889,270	2,784,217	(105,053)	-4%
FINES AND FORFEITURES	178,545	169,856	158,146	(11,710)	-7%
INCOME FROM INVESTMENTS & PROPERTY	921,471	1,049,432	1,432,629	383,197	37%
INTERDEPARTMENTAL CHARGES	1,087,794	730,772	1,160,849	430,077	59%
OTHER REVENUE SOURCES	176,954	235,405	269,211	33,806	14%
TRANSFERS IN	542	10,000	10,000	0	0%
TOTAL GENERAL FUND	\$27,669,699	\$27,267,922	\$28,731,688	\$1,463,766	5%

(1)

(1) Calculated General Fund revenues are 3.8% above estimates as of September 30, 2018.

**GENERAL FUND
EXPENDITURE STATUS BY DEPARTMENT**

DEPT DESCRIPTION	TOTAL BUDGET FY 2018-19	AS OF 09/30/18		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$509,210	\$120,032	\$389,178	76.4%
CITY MANAGER	3,144,354	775,902	2,368,452	75.3%
COMMUNITY OUTREACH AND ENGAGEMENT	2,127,191	862,358	1,264,833	59.5%
CITY CLERK AND RECORDS MANAGEMENT	1,201,101	267,465	933,636	77.7%
CITY ATTORNEY	1,804,473	408,769	1,395,704	77.3%
CITY TREASURER	226,804	43,650	183,154	80.8%
TOTAL POLICY/LEADERSHIP	9,013,133	2,478,176	6,534,957	72.5%
ADMINISTRATIVE SERVICES				
FINANCE	6,775,956	2,023,547	4,752,409	70.1%
HUMAN RESOURCES	4,950,617	1,696,785	3,253,832	65.7%
TOTAL INTERNAL SERVICES	11,726,573	3,720,332	8,006,241	68.3%
PUBLIC SAFETY				
POLICE	37,343,439	9,555,087	27,788,352	74.4%
FIRE	23,802,209	6,703,168	17,099,041	71.8%
TOTAL PUBLIC SAFETY	61,145,648	16,258,255	44,887,393	73.4%
COMMUNITY SERVICES				
COMMUNITY AND ECONOMIC DEVELOPMENT	11,613,403	3,695,400	7,918,003	68.2%
HOUSING AND NEIGHBORHOOD SERVICES	1,685,700	791,130	894,570	53.1%
LIBRARY AND CULTURAL ARTS	13,363,382	3,158,762	10,204,620	76.4%
PARKS AND RECREATION	19,248,137	5,274,612	13,973,525	72.6%
TOTAL COMMUNITY SERVICES	45,910,622	12,919,904	32,990,718	71.9%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	1,849,196	355,040	1,494,156	80.8%
ENVIRONMENTAL MANAGEMENT	1,026,737	437,126	589,611	57.4%
GENERAL SERVICES	10,301,713	3,612,112	6,689,601	64.9%
TRANSPORTATION	8,400,116	2,307,575	6,092,541	72.5%
TOTAL PUBLIC WORKS	21,577,762	6,711,853	14,865,909	68.9%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	15,805,110	333,188	15,471,922	97.9%
TRANSFERS OUT	13,203,101	13,203,101	0	0.0%
CONTINGENCY	1,495,000	0	1,495,000	100.0%
TOTAL NON-DEPT & CONTINGENCY	30,503,211	13,536,289	16,966,922	55.6%
TOTAL GENERAL FUND	\$179,876,949	\$55,624,809	\$124,252,140	69.1%

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) Amount available would be 70% if funds were spent in the same proportion as the previous year.

Water Enterprise

WATER OPERATIONS FUND SEPTEMBER 30, 2018					
	BUDGET FY 2018-19	YTD (*) 09/30/2017	YTD (*) 09/30/2018	CHANGE FROM YTD 2017-18 TO YTD 2018-19	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 41,700,000	\$ 11,400,234	\$ 12,268,051	\$ 867,817	7.6%
INTEREST	286,600	89,795	123,552	33,757	37.6%
MISC. SERVICE CHARGES	302,500	85,814	89,499	3,685	4.3%
PROPERTY TAXES	3,941,500	85,220	78,667	(6,553)	-7.7%
FINES, FORFEITURES & PENALTIES	263,200	78,479	88,508	10,029	12.8%
OTHER REVENUES	680,000	162,254	88,247	(74,007)	-45.6%
TOTAL OPERATING REVENUE	47,173,800	11,901,796	12,736,524	834,728	7.0%
EXPENSES:					
STAFFING	3,682,973	851,497	850,665	(832)	-0.1%
INTERDEPARTMENTAL SERVICES	2,483,079	525,185	618,504	93,319	17.8%
PURCHASED WATER	25,100,000	6,757,424	7,236,375	478,951	7.1%
MWD/CWA FIXED CHARGES	6,160,000	1,633,016	1,647,070	14,054	0.9%
OUTSIDE SERVICES/MAINTENANCE	1,466,871	129,311	141,677	12,366	9.6%
DEPRECIATION/REPLACEMENT	3,860,000	977,500	965,000	(12,500)	-1.3%
MISCELLANEOUS EXPENSES	1,062,795	366,156	171,594	(194,562)	-53.1%
CAPITAL OUTLAY	8,912	9,823	9,439	(384)	-3.9%
TOTAL OPERATING EXPENSES	43,824,630	11,249,912	11,640,324	390,412	3.5%
OPERATING INCOME/(LOSS)	\$ 3,349,170	\$ 651,884	\$ 1,096,200	\$ 444,316	68.2%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues



- The increase in water delivery revenues is the result of an average 2.5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2018, coupled with a six percent increase in water sales during the first three months of the new fiscal year due to less restrictive water usage constraints and drier weather.
- A 5.3 percent increase in the average cash balance combined with a 30.5 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in miscellaneous service charges is primarily due to increases in backflow device revenues.
- Timing differences account for the temporary decrease in property taxes.
- The increase in fines, forfeitures and penalties is due primarily to an increase in late charge revenues.
- The decrease in other revenues is primarily due to a decrease in service installation fees and a timing difference with cell site leases.

Expenses



- For Fiscal Year 2018-19, a total of 0.25 full-time positions have been reallocated to other programs from the Water Enterprise to better reflect each programs' workload which has been offset by normal salary increases.
- An updated and a change in the methodology of the cost allocation plan has led to higher interdepartmental charges.
- A 4.3 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a five percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Increases in software maintenance costs have led to higher outside services/maintenance expenses.
- Decreases in meter and parts purchases are the largest factors in the miscellaneous expenses variance.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND SEPTEMBER 30, 2018					
	BUDGET FY 2018-19	YTD (*) 09/30/2017	YTD (*) 09/30/2018	CHANGE FROM YTD 2017-18 TO YTD 2018-19	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	14,031,500	3,556,796	3,686,547	129,751	3.6%
INTEREST	110,000	38,192	46,385	8,193	21.5%
OTHER REVENUES	294,000	65,544	44,104	(21,440)	-32.7%
TOTAL OPERATING REVENUE	14,435,500	3,660,532	3,777,036	116,504	3.2%
EXPENSES:					
STAFFING	2,433,596	476,330	478,776	2,446	0.5%
INTERDEPARTMENTAL SERVICES	1,248,906	323,979	312,581	(11,398)	-3.5%
ENCINA PLANT SERVICES	3,785,777	887,939	946,444	58,505	6.6%
OUTSIDE SERVICES/MAINTENANCE	697,751	60,731	66,171	5,440	9.0%
DEPRECIATION/REPLACEMENT	3,680,000	912,500	920,000	7,500	0.8%
MISCELLANEOUS EXPENSES	626,697	115,053	126,437	11,384	9.9%
CAPITAL OUTLAY	0	237,225	0	(237,225)	-100.0%
TOTAL OPERATING EXPENSES	12,472,727	3,013,757	2,850,409	(163,348)	-5.4%
OPERATING INCOME/LOSS	1,962,773	646,775	926,627	279,852	43.3%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues



- Charges for current services are up slightly due to increases in development throughout the city.
- Cash balances in the fund have decreased by 5.7 percent from last year, combined with an increase in the average yield on the portfolio of 30.5 percent, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by a timing difference regarding a wastewater billing on the Vista-Carlsbad interceptor.

Expenses



- For Fiscal Year 2018-19, a total of 1.55 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- An updated and a change in the methodology of the cost allocation plan has led to lower interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated monthly.
- Higher outside services have been driven by increase in SCADA and smart cover services.
- Increases in miscellaneous expenses are primarily due to increases in heat and light costs.
- The decrease in capital outlay are the result of a prior year vector truck purchase.